

1.5 The effectiveness of food price stabilization policies: the experience of Mali (2004 - 2009)

Franck Galtier, CIRAD - UMR MOISA

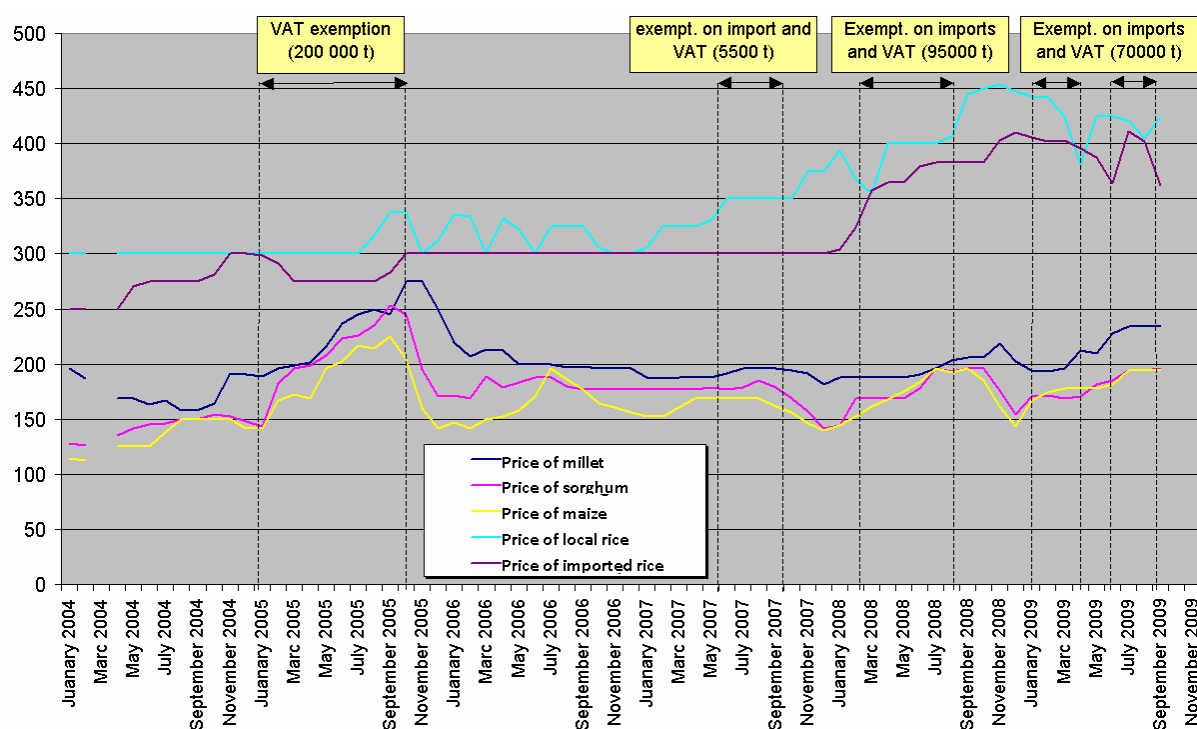
Summary

What has been done? Since 2004, Mali has used four instruments to periodically stabilize domestic cereal prices (millet, sorghum, maize and rice): (i) a ban on exports (2007 and 2008), (ii) a recovery plan to boost production through input subsidies (for rice in 2008; for rice, maize and wheat in 2009), (iii) public stocks (especially since 2005, when two new types of stocks were set up (the State Intervention Stock and cereal banks), and (iv) tax exemptions on cereal imports (for rice and maize in 2005, 2007, 2008 and 2009 and for maize only in 2005). The outreach of these government interventions as well as their modalities have varied considerably, depending on the instrument, the year and products targeted.

How has it been implemented? The *decision-making process* is complex. The different instruments are often managed by different agencies (e.g., the Ministry of Commerce for export bans and tax exemptions on imports; the Ministry of Agriculture for recovery plans; the cereal bank management committee for decentralized stocks, located in 703 of the country's municipalities). Decisions are made by the President and the office of the Prime Minister, with support from the Food Security Commission. The *effective implementation of policies* has sometimes proved difficult. Export bans have been circumvented. Importers have not always benefited from tax exemptions. The subsidized inputs for producers often arrive late, and in insufficient quantities (particularly for seeds). Finally, purchases for certain public stocks at times came too late (especially for the State Intervention Stock, which lacks working capital to make timely purchases).

What were the effects? The *ban on exports* has not managed to discourage cereal exports. Not enough, at least, to affect prices in Mali. The bans have not had the expected moderating effect on consumer prices, but nor have they penalized producers—or only very marginally. *Policies to boost production* have had a moderate impact on production levels (+ 20% below the stated goal of a 50% increase) and prices (which declined slightly and stabilized at a high level). *Public stocks* have had little effect on prices. Perhaps they have helped absorb fluctuations due to seasonality, but they have failed to contain increases in times of crisis. This is probably due to the small size these operations: only 28,000 tons were released during the crisis of 2005 (15,000 tons of dry cereals + 13,000 tons of rice) and 53,000 tons during the 2008 (32,000 tons of dry cereals + 21 000 tons of rice). The *tax exemptions on imports* has had a moderating effect on prices of imported rice, but have also driven down prices of locally produced cereals (including dry cereals). This is what happened in the Kayes region in 2005 and in various other areas in 2009. This phenomenon holds true for both consumer prices and producer prices.

Table 22 : Effects on retail prices in Kayes of VAT exemption and tax exemption on imports



Source : Galtier F., Diakité L. et Diarra S. (2011)

What recommendations could be derived? The *instruments* that have been found to be potentially effective are tax exemptions on imports, recovery plans to boost production, and public stocks (provided they grow in size). The *form of governance* and decision-making process is at least as important as the choice of instruments. For example, for public stocks to be effective, their administrators need working capital at their disposal. Similarly, for tax exemption measures to be effective, importers must actually benefit from them. This implies defining the terms of these exemptions with the importers, and ensuring compliance through control measures.